52D CONGRESS, 2d Session. } HOUSE OF REPRESENTATIVES. { REPORT No. 2584.

CIRCULATING PROMISSORY NOTES.

FEBRUARY 27, 1893.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. BACON, from the Committee on Banking and Currency, submitted the following

REPORT:

[To accompany H. R. 10615.]

The Committee on Banking and Currency having had under consideration H. R. 10094, a bill to secure to the people the advantages accruing from the issue of circulating promissory notes by banks, to increase the volume of such notes, and to supervise and control banks by officers of the United States, submit the accompanying bill as a substitute therefor, and recommend that the original bill do lie upon the table, and that the substitute bill be placed upon the Union Calendar for consideration.

Mr. WALKER, as the minority of the committee, recommends the adoption of the substitute for bill H. R. 10094, and submits the following as his views thereon:

The undersigned desires to present the following views touching the bill (H. R. 10615) reported by the committee:

In response to the almost universal feeling among the people that the time has come for some affirmative action to be taken looking to the adoption of some substitute for the system requiring United States bonds, as used by the existing national banks, which shall furnish a currency that shall be, first, safe; second, surely, cheaply, and easily convertible into coin; third, elastic; fourth, uniform; fifth, ample at all times and in the places needed, as far as is possible, the Committee on Banking and Currency has spent much time and patience in examining the various bills referred to it by the House, but reports back to the House bill H. R. 10615 without recommendation. This bill seems to combine more completely and harmoniously than any other referred to it the things necessary in a sound banking system. In a measure of so much importance and so far-reaching in its operation, the committee thought the country ought to have ample time to be heard in criticism of the scheme and details of any new banking system.

A careful examination of the provisions of the bill, as compared with the present system, shows its importance. It appears from the Comptroller's report for 1892, p. 45, that the—

[Expressed in millions.]

Capital stock of national banks is	$686.6
Surplus fund	238.9
Undivided profits	101.6
Due to depositors	1,779.3
Total	2,796.4
Loans	2,171.0
	625.4

There is no inducement, under the present banking laws, to add any part of this enormous fund of 2,109.8 millions of dollars to the permanent banking capital of the country. Had we a proper banking system there would be a strong inducement, not only to establish new banks, but to put a very large part of the $340,000,000 of surplus and undivided profits permanently at the service of the public in the form of additional bank stock.

It is for the interest of the country that as small a part of the capital used to handle the products of the farm, mill, factory, and all other consumable wealth should be subject to immediate call by check, as is practicable. Of this $2,796,000,000 all but 22.4 per cent, or $625,000,000, is loaned, and 63.6 per cent, or $1,779,000,000, is subject to check. A very considerable percentage of this $1,779,000,000 would also be permanently invested in bank stock under the inducements offered in the bill, as is shown further on in this report, probably soon carrying the permanent loanable funds represented by bank stock up to $800,000,000 to $1,000,000,000, instead of $686,000,000 as now, and reducing the proportion of funds subject to check very materially, which would be a very great relief to the people in all monetary crises.

It is reasonable to suppose that the issue of currency notes under section 4 will ultimately be $400,000,000 and the issue under section 5 $400,000,000; total currency, $800,000,000 or more.

Of the bill: First, as to the safety of the currency issued under section 5. No one need be startled by the figures given, for the reason that the formation of new banks, or the adoption of the new system by existing banks, would be gradual, and as the necessity arose for new banks or of reorganizing old ones, and would not be very rapid at any time, but paper money would be issued just as fast and to just as large an amount as the people could possibly keep in circulation. The existing conditions, however, furnish a reliable basis for estimating the working of the system proposed in H. R. 10615, particularly as to the efficiency of the safety fund proposed under section 19. The affairs of the banks failing in the years 1890, 1891, and 1892 have not yet been closed up, and of course the apparent deficiency in their dividends is much greater than the real deficiency. Leaving out those years, the records of the Comptroller show that the dividends paid by all the failed banks in the remaining years, 32 in number, whose total dividends were less than their total circulation on the day of failure, from 1866 to 1889, inclusive, were $1,851,038, and the aggregate circulation of those banks at the date of failure was $2,793,370.

List of insolvent national banks, dividends paid, and circulation issued of associations whose dividends were less in amount than the circulation outstanding.

Title.	Date failed.	Dividends paid.	Circulation issued.
*Merchants' National Bank, Washington, D. C	1866	$165,769	$180,000
*First National Bank, Medina, N. Y	1867	32,305	40,000
*Tennessee National Bank, Memphis, Tenn	1867	65,335	90,000
*National Unadilla Bank, Unadilla, N. Y	1867	58,661	100,000
*Croton National Bank, New York, N. Y	1867	143,307	180,000
Total		299,608	410,000
*National Bank, Vicksburg, Miss	1868	16,654	25,500
*First National Bank, Rockford, Ill	1869	29,277	45,000
*First National Bank, Fort Smith, Ark	1872	15,142	45,000
*First National Bank, Petersburg, Va	1873	125,667	179,200
*Merchants' National Bank, Petersburg, Va	1873	259,487	360,000
*First National Bank, Topeka, Kans	1873	31,668	90,000
Total		416,822	629,200
*First National Bank of Utah, Salt Lake City, Utah	1874	19,002	118,191
*Cook County National Bank, Chicago, Ill	1875	228,412	285,100
*Fourth National Bank, Chicago, Ill	1876	18,258	85,700
*First National Bank, Bedford, Iowa	1876	12,624	27,000
*First National Bank, Osceola, Iowa	1876	34,536	45,000
*Watkins National Bank, Watkins, N. Y	1876	60,647	67,500
*First National Bank, Greenfield, Ohio	1876	9,456	29,662
Total		135,521	254,862
*First National Bank, Ashland, Pa	1878	33,105	75,554
*First National Bank, Waynesburg, Pa	1878	21,710	69,345
*First National Bank, Dallas, Tex	1878	29,377	29,800
*People's National Bank, Helena, Mont	1878	66,810	89,300
*Merchants' National Bank, Fort Scott, Kans	1878	16,670	35,328
*Farmers' National Bank, Platte City, Mo	1878	11,803	27,000
Total		179,475	326,327
*National Bank, Poultney, Vt	1879	88,176	90,000
*First National Bank, Monticello, Ind	1879	20,998	27,000
Total		109,174	117,000
*City National Bank, Lawrenceburg, Ind	1884	26,809	77,000
First National Bank, St. Albans, Vt	1884	72,967	89,980
*Hot Springs National Bank, Hot Springs, Ark	1884	39,812	40,850
*First National Bank, Jamestown, N. Dak	1884	8,807	18,650
Total		148,395	226,480
*First National Bank, Angelica, N. Y	1886	66,394	89,000
*Palatka National Bank, Palatka, Fla	1887	9,492	19,210
First National Bank, Sheffield, Ala	1889	11,901	22,500
[Besides the 32 banks alluded to are the following:]			
First National Bank, Alma, Kans	1890		16,875
First National Bank, Mead Center, Kans	1890	5,553	10,750
Total		5,553	27,625
Second National Bank, McPherson, Kans	1891	7,338	11,250
Asbury Park National Bank, Asbury Park, N. J *	1891	8,753	20,700
Ninth National Bank, Dallas, Tex	1891	14,147	45,000
First National Bank, Red Cloud, Nebr	1891	5,607	16,225
Central Nebraska National Bank, Broken Bow, Nebr	1891		13,500
Florence National Bank, Florence, Ala	1891		12,900
First National Bank, Kansas City, Kans	1891	25,269	33,750
Rio Grande National Bank, Laredo, Tex	1891		22,500
First National Bank, Clearfield, Pa	1891	72,518	85,340
(‡) Farley National Bank, Montgomery, Ala	1891		22,500
First National Bank, Coldwater, Kans	1891	8,482	11,200
Total		142,114	294,865
Huron National Bank, Huron, S. Dak	1892		18,000
First National Bank, Downs, Kans	1892	8,745	10,750
First National Bank, Muncy, Pa*	1892	80,636	94,899
Bell County National Bank, Temple, Tex	1892	7,592	11,250
National Bank, Guthrie, Okla	1892		21,800
Cherryvale National Bank, Cherryvale, Kans	1892		11,250
First National Bank, Rockwall, Tex	1892		26,720
Total		96,973	194,669
Grand total		2,095,678	3,310,529

* Finally closed. † Resumed. ‡ Paid in full by resuming.

None in the years 1870, 1871, 1877, 1880, 1881, 1882, 1883, 1885, and 1888.
Total number banks failed, 53.

This shows that the combined circulating notes of all such banks exceeded their total dividends by $942,332, or an annual average of $39,264, for the twenty-four years. In the twenty-two years ending with 1889, the average reserves held by the national banks, as given by the Comptroller's annual report, has been $293,120,938, while the actual circulation of the national banks has averaged $308,839,861. So that, had the bill (H. R. 10615) been the law during the period mentioned, the average possible circulation for which the safety fund would have been liable, would have averaged for each of the twenty-two years $15,719,923 less than the sum actually in circulation, and upon which these figures are made to show the probable efficiency of the safety-fund provision in the bill to secure the holders of bank bills from possible loss. That is to say, the safety fund resulting from the one-tenth of 1 per cent tax would have produced $293,120 annually, or $7\frac{46}{100}$ times as much money as would have been needed, or an annual surplus of $254,856 in excess of the demands upon the fund, or a total excess of $5,606,832 in the twenty-two years.

It is true that the circulation would be much larger than under the present system, more than twice as much, but only one-half of it would be liable to final payment by the bank. Still, that one-half would ultimately be considerably larger under the bill, one-third larger, probably. But there is no probability that even this larger sum would make any draft on the safety fund greater than the annual average of $39,264, and for two reasons:

First. The supervision of banks and the reports required from banks themselves, provided in the bill, keeping the Comptroller so much better informed as to the doings and the conditions of banks, would tend to reduce the losses by creditors of banks at least one-half.

Secondly. The losses to creditors by the failures of national banks has been constantly decreasing since 1866 because of the increased knowledge and experience of examiners and of the officers in the Comptroller's office in Washington. In fact, the absolute certainty of the holders of every dollar in bank notes issued under the bill, should it become a law, being immediately paid in full in coin, is as apparent as the existence of the Government or of any other thing in human affairs.

Again, it is notorious that the monetary and coinage agitations which have vexed this country for the last few years have been intensified, if they did not have their origin, in the cost to the people of the currency which their business made it necessary for them to use and which they saw was being reduced year by year because of the faulty arrangements for issuing the currency they needed, which were being aggravated day by day, and the national-bank currency fast disappearing. And this notwithstanding the fact that the banks get interest on their Government bonds and also get a second interest on the currency delivered to the banks when they deposited their bonds with the Government. The people did not see that the banking law did not allow the coin reserve in the bank to earn anything for the bank and thus made the people pay more for every dollar they borrowed.

As to the economy of this currency to the people. The bill reported makes the issue of currency as free and as cheap as it is possible to make it consistent with having it constantly and immediately convertible into coin, which only makes any paper money "good money." By careful estimates made by the Comptroller, on page 8 of his report for 1892, reckoning interest at 6 per cent, its average rate, the country over,

the net earnings per annum to a bank in the currency it gets on its bonds and issues to-day would be on a 2 per cent bond at par—

On $100,000 in bonds, 00.032 or	$31.52
On $100,000 fours at 1.16¾, 00.330 or	330.16
On $100,000 sixes at 1.14, 012.18 or	1,218.58
On $100,000 bill 10615 it would be 04.84 or	4,844.52

Under the present law no bank is allowed to issue any bills on its coin, as is allowed in all other sound banking systems, and to the great loss of the people. Banks are now compelled to allow every dollar of their reserve in coin or other "lawful money" to lie dead, not earning a dollar. Under the bill reported by the committee, banks are allowed to issue currency upon the same principle as paper money is issued by all sound banks the world over, excepting in the United States. Under the bill reported, the coin reserve fund of a bank is, or may be, performing three functions:

First. That of a "measure of value" in every business transaction in the country.

Second. That of a reserve against all the liabilities of the bank.

Third. Every dollar of it is earning as much income as any other capital in the bank, precisely as is the coin in the Bank of Germany, the Bank of France, and the Bank of England, lessening the cost of paper money to the people by just so much.

[*Profits on circulation, Comptroller's report, p. 8.*]

JUNE 30, 1892—2 PER CENTS.

$100,000 two's at par interest		$2,000.00
Circulation, 90 per cent on par value	$90,000.00	
Deduct 5 per cent redemption fund	4,500.00	
Loanable circulation at 6 per cent	85,500.00	5,130.00
Gross receipts		7,130.00
Deduct—		
1 per cent tax on circulation	900.00	
Annual cost of redemption	137.48	
Express charges	3.00	
Cost of plates for circulation	7.50	
Agents' fees	7.50	
Examinations	43.00	
		1,098.48
Net receipts		6,031.52
$100,000 loaned at 6 per cent		6,000.00
Profit on circulation		31.52

Total profit on $21,837,000 bonds, $6,194.72.
Percentage on maximum circulation obtainable, 0.032 per cent.

JUNE 30, 1892—4 PER CENTS.

$100,000 fours at 116¾ premium, interest		$4,000.00
Circulation, 90 per cent on par value	$90,000.00	
Deduct 5 per cent redemption fund	4,500.00	
Loanable circulation at 6 per cent	85,500.00	5,130.00
Gross receipts		9,130.00

Deduct—		
1 per cent tax on circulation	$900.00	
Annual cost of redemption	137.48	
Express charges	3.00	
Cost of plates for circulation	7.50	
Agents' fees	7.50	
Examinations	43.00	
Sinking fund reinvested quarterly to liquidate premium	696.36	
		$1,794.84
Net receipts		7,335.16
$116,750 loaned at 6 per cent		7,005.00
Profit on circulation		330.16

Total profit on $129,759,000 bonds, $385,571.09.
Percentage on maximum circulation obtainable, 0.330 per cent.

JUNE 30, 1892—6 PER CENTS.

$100,000 sixes at 114 premium, interest		$6,000.00
Circulation, 90 per cent on par value	$90,000.00	
Deduct 5 per cent redemption fund	4,500.00	
Loanable circulation at 6 per cent	85,500.00	5,130.00
Gross receipts		11,130.00
Deduct—		
1 per cent tax on circulation	$900.00	
Annual cost of redemption	137.48	
Express charges	3.00	
Cost of plates for circulation	7.50	
Agents' fees	7.50	
Examinations	43.00	
Sinking fund reinvested semiannually to liquidate premium	1,972.94	
		3,071.42
Net receipts		8,058.58
$114,000 loaned at 6 per cent		6,840.00
Profit on circulation		1,218.58

Total profit on $11,600,000 bonds, $127,219.75.
Percentage on maximum circulation obtainable, 1,218 per cent.

RECAPITULATION.

Profit on the three classes of bonds, maximum circulation 90 per cent—

2 per cent bonds, 21,837,000—$19,653.300, maximum circulation at 0.03152 per cent, $6,194.72.

4 per cent bonds, $129,759,000—$116,783,100, maximum circulation at 0.33016 per cent, $335,571.08.

6 per cent bonds, $11,600,000—$10,440,000, maximum circulation at 1.21858 per cent, $127,219.75.

Total of bonds, $163,196,000—$146,876,400, maximum circulation at 0.353 per cent, $518,985.55.

The above carefully prepared tables show the profits upon circulation based upon a deposit of $100,000 bonds. June 30 was selected, as it marks the close of an interest period for Government bonds.

The currency issued under section 4 in exchange for lawful money does not affect the earnings of a bank, as it is simply the exchange of one kind of money for another kind of money equally good to the bank.

The currency issued under section 5 runs as follows:

$100,000 currency issued under section 5, at 6 per cent		$6,000.00
Loss on $15,000 increase of reserve, at 6 per cent	$900.00	
No tax on circulation		
No charge for examinations		
Annual cost of redemption	137.48	
Express charges	3.00	
Cost of plates for circulation	7.50	
Agents' fees	7.50	
Tax of one-tenth of 1 per cent for safety fund	100.00	
		1,155.48
Net earnings on $100,000, at 4.84 per cent		4,844.52

In the above figures I have assumed that the reserves of the bank would have to be increased by the 15 per cent required in section 18 on the notes issued under section 5, but the banks average to keep in excess of that required by law more than the sum of 15 per cent on their section 5 notes. Fifteen per cent of 15 per cent is only $2\frac{1}{4}$ per cent of the whole. Deducting the $900, it shows the profit on the circulation $5,744.52 or 5.74 per cent instead of 4.84 per cent.

These simple examples of the practical workings of the various bond methods of issuing paper money, as compared with that proposed in the bill reported, exhibit in a clear light the wastefulness of our present financial system, or rather want of system. The system proposed to the House in the bill reported by the committee, as compared with buying bonds to-day to form a bank receiving $100,000 in currency under the present law on a 6 per cent basis is as $1,218.58 to $4,844.52, or as 1 to 3.97 cheaper to the people than to buy sixes at $1.14. It is as $330.16 to $4,844.52, or as 1 to $14\frac{2}{3}$ cheaper to the people than to buy fours at $1.16\frac{3}{4}$. It is as $31.52 to $4,844.52, or as 1 to $1.53\frac{2}{3}$ cheaper than to buy 2 per cent bonds at par, as some propose, as is shown by the report of the Comptroller, page 8.

Second. The cheap and easy convertibility into coin of the currency notes issued under both sections 4 and 5 is provided for in sections 13, 14, and 18 of the bill.

Third. The elasticity of the currency, to the extent of $100,000,000 or more, is provided for in section 5.

Fourth. The uniformity of the currency will come, as banks organize under the bill and all currency disappears, excepting coin notes and that provided for in the bill.

Fifth. Ample currency at all times and in the places needed, as far as possible, is secured by its being made for the interest of the banks to furnish every dollar of currency they can induce the people to take. The order of paying out bills provided for in section 24 will cause it to be sent in for redemption and to be sent from the United States Treasurer's office back to the bank issuing it, to be again loaned to the people in the neighborhood of the bank.

Another feature of the bill, and one most advantageous to the people, is the provision in section 6, for substituting the bills issued under section 4 for the existing legal-tender note. Under the present law, $100,000,000 in gold coin is now held in the Treasury for their redemption, costing the people at least $4,000,000 annually in loss of interest on it. Furthermore, it is liable to cost the people millions, in some monetary crisis, in maintaining them on a specie basis. Under the bill $90 of the old legal-tender notes are to be redeemed for every $200 of currency issued, and $100 of this currency issued under section 4, and issued without cost to the people, and which the banks must currently redeem, is put in the place of every $90 of the greenbacks redeemed.

Under the bill reported the banks of this country can protect the coin reserve of the country from being shipped abroad precisely as France, Germany, and England protect their coin from being taken from them. It is impossible now for either the Government or the banks to protect it from shipment, whatever the conditions of trade or normal exchange.

These few and simple exhibits and statements show the wastefulness of our present system of banking and the advantages to the people of adopting one that has the sanction of years of successful experience, and imitates the economies of safe and cheap banking, approved by a hundred years of experience. There is no solid reason why paper money should not be issued at as small an expense to the people as it can safely be done. Under the bill reported banks acceptable to all the people will be established in every considerable town, making money as plenty and cheap as is compatible with its being good money. The people are not opposed to banks, but they are bitterly opposed to such banks as they think they now have. They know that the pay for products could not be sent from one part of the country to the other without banks, any more than the products themselves could be transported without railroads, or than food could be produced without the farmer or shoes without the shoemaker, or than farms could be exchanged without deeds.

The figures on the following banks will help one to understand the practical workings of the law proposed in bill H. R. 10615.

No. 1.—FRANKLIN NATIONAL BANK, FRANKLIN, N. H.

		Possible profit.
National-bank notes outstanding, $43,700:		
On 2 per cent United States bonds	.000315	$13.76
On 4 per cent United States bonds	.003301	144.25
On 6 per cent United States bonds	.012185	532.48
On one-third of each bond	.005267	230.09
On $15,000, section 5, reserve notes	.057445	861.67
Difference to the bank		631.58
On $15,000, section 4, no gain or loss. Total circulation		30,000.00

No. 2.—PEOPLE'S NATIONAL BANK, AMERICUS, GA.

National-bank notes outstanding, $11,250:		
On 2 per cent bonds	.000315	$3.54
On 4 per cent bonds	.003301	37.14
On 6 per cent bonds	.012185	137.08
On one-third of each bond	.005267	59.25
On $36,000, section 5, reserve notes	.057445	2,068.02
Difference to the bank		2,008.77
On $36,000, section 4, notes no gain or loss. Total circulation		72,000.00

No. 3.—FIRST NATIONAL BANK, BASTROP, TEX.

National-bank notes outstanding, $11,250:

[Same as No. 2 example.]

On one-third of each bond	.005267	$59.25
On $52,000, section 5, reserve notes	.057445	2,987.14
Difference to the bank		2,927.89
On $52,000, section 4, notes no gain or loss. Total circulation		104,000.00

No. 4.—CITIZENS' NATIONAL BANK, MANSFIELD, OHIO.

		Possible profit.
National-bank notes outstanding, $22,500:		
On 2 per cent bonds	.000315	$7.08
On 4 per cent bonds	.003301	74.28
On 6 per cent bonds	.012185	274.16
On one-third of each bond	.005267	118.50
On $52,000, section 5, reserve notes	.057445	2,987.14
Difference to the bank		2,868.64
On $52,000, section 4, notes no gain or loss. Total circulation		104,000.00

No. 5.—NATIONAL BANK, JEFFERSON, TEX.

National-bank notes outstanding, $22,500:

[Same as in No. 4 example.]

On one-third of each bond	.005267	$118.50
On $31,000, section 5, reserve notes	.057445	1,780.79
Difference to the bank		1,662.29
On $31,000, section 4, no gain or loss. Total circulation		62,000.00

No. 6.—FIRST NATIONAL BANK, HANNIBAL, MO.

National-bank notes outstanding, $22,500:

[Same as in No. 4 example.]

On one-third of each bond	.005267	$118.50
On $47,000, section 5, reserve notes	.057445	2,699.91
Difference to the bank		2,581.41
On $47,000, section 4, no gain or loss. Total circulation		94,000

No. 7.—NATIONAL BANK, FRANKLIN, TENN.

National-bank notes outstanding, $22,000:		
On 2 per cent bonds	.000315	$6.93
On 4 per cent bonds	.003301	72.62
On 6 per cent bonds	.012185	268.07
On one-third of each bond	.005267	115.87
On $17,000, section 5, reserve notes	.057445	976.56
Difference to the bank		860.69
On $17,000, section 4, no gain or loss. Total circulation		34,000

No. 8.—FIRST NATIONAL BANK, DUBUQUE, IOWA.

National-bank notes outstanding, $45,000:		
On 2 per cent bonds	.000315	$14.17
On 4 per cent bonds	.003301	148.54
On 6 per cent bonds	.012185	548.32
On one-third of each bond	.005267	237.01
On $150,000, section 5, reserve notes	.057445	8,616.75
Difference to the bank		8,379.74
On $150,000, section 4, no gain or loss. Total circulation		300,000.00

No. 9.—FIRST NATIONAL BANK, COVINGTON, KY.

		Possible profit.
National-bank notes outstanding, $90,000:		
On 2 per cent bonds	.000315	$28.35
On 4 per cent bonds	.003301	297.09
On 6 per cent bonds	.012185	1,096.65
On one-third of each bond	.005267	474.03
On $95,000, section 5, reserve notes	.057445	5,457.27
Difference to the bank		4,983.24
On $95,000, section 4, no gain or loss. Total circulation		190,000.00

No. 10.—FIRST NATIONAL BANK, MEMPHIS, TENN.

National-bank notes outstanding, $45,000.

[Same as No. 8 example.]

On one-third of each bond	.005267	$237.01
On $109,000, section 5, reserve notes	.057445	6,261.50
Difference to the bank		6,024.49
On $109,000, section 4, no gain or loss. Total circulation		218,000.00

No. 11.—FIRST NATIONAL BANK, TERRE HAUTE, IND.

National-bank notes outstanding, $45,000.

[Same as No. 8 example.]

On one-third of each bond	.005267	$237.01
On $163,000, section 5, reserve notes	.057445	9,363.53
Difference to the bank		9,126.52
On $163,000, section 4, no gain or loss. Total circulation		326,000.00

No. 12.—FIRST NATIONAL BANK, CHARLOTTE, N. C.

National-bank notes outstanding, $45,000:

[Same as No. 8 example.]

On one-third of each bond	.005267	$237.01
On $144,000, section 5, reserve notes	.057445	8,272.08
Difference to the bank		8,035.07
On $144,000, section 4, no gain or loss. Total circulation		288,000.00

No. 13.—FIRST NATIONAL BANK, SPRINGFIELD, ILL.

National-bank notes outstanding, $45,000:

[Same as in No. 8 example.]

On one-third of each bond	.005267	$237.01
On $103,000, section 5, reserve notes,	.057445	5,916.83
Difference to the bank		5,679.82
On $103,000, section 4, no gain or loss. Total circulation		206,000.00

No. 14.—CAPITAL NATIONAL BANK, INDIANAPOLIS, IND.

National-bank notes outstanding, $45,000:

[Same as in No. 8 example.]

		Possible profit.
On one-third of each bond	.005267	$237.01
On $167,000, section 5, reserve notes	.057445	9,593.31
Difference to the bank		9,356.30
On $167,000, section 4, no gain or loss. Total circulation		334,000.00

No. 15.—SANTA ROSA NATIONAL BANK, SANTA ROSA, CAL.

National-bank notes outstanding, $33,750:

On 2 per cent bonds	.000315	$10.63
On 4 per cent bonds	.003301	122.41
On 6 per cent bonds	.012185	411.54
On one-third of each bond	.005267	181.52
On $35,000, section 5, reserve notes	.057445	2,010.57
Difference to the bank		1,829.05
On $35,000, section 4, no gain or loss. Total circulation		70,000.00

No. 16.—FIRST NATIONAL BANK, AURORA, ILL.

National-bank notes outstanding, $21,600:

On 2 per cent bonds	.000315	$6.80
On 4 per cent bonds	.003301	71.30
On 6 per cent bonds	.012185	263.20
On one-third of each bond	.005267	113.76
On $59,000, section 5, reserve notes	.057445	3,389.25
Difference to the bank		3,275.49
On $59,000, section 4, no gain or loss. Total circulation		118,000.00

No. 17.—FIRST NATIONAL BANK, SHREVEPORT, LA.

National-bank notes outstanding, $89,000:

On 2 per cent bonds	.000315	$28.04
On 4 per cent bonds	.003301	293.79
On 6 per cent bonds	.012185	1,084.46
On one-third of each bond	.005267	468.76
On $121,000, section 5, reserve notes	.057445	6,950.84
Difference to the bank		6,482.08
On $121,000, section 4, no gain or loss. Total circulation		242,000.00

No. 18.—FIRST NATIONAL BANK VICKSBURG, MISS.

National-bank notes outstanding, $33,750.

[Same as No. 15 example.]

On one-third of each bond	.005267	$181.52
On $50,000, section 5, reserve notes	.057445	2,872.25
Difference to the bank		2,690.73
On $50,000, section 4, no gain or loss. Total circulation		100,000.00

No. 19—EASTON NATIONAL BANK, EASTON, PA.

		Possible profit.
National-bank notes outstanding, $43,650:		
On 2 per cent United States bonds	.000315	$13.74
On 4 per cent United States bonds	.003301	144.69
On 6 per cent United States bonds	.012185	531.87
On one-third of each bond	.005267	230.10
On $190,000, section 5, reserve notes	.057445	10,914.55
Difference to the bank		10,684.45
On $190,000, section 4, no gain or loss. Total circulation		380,000.00

From the figures given in these examples of existing banks, each banker can figure out how his bank would be affected by doing its business under the restrictions and advantages of this bill.

The loans and discounts of these—	
19 banks are	$10,457,000.00
19 banks, circulation $737,450 now outstanding, average profit, .005267	3,384.15
19 banks, circulation $1,584,000, under section 5, bill, profit, .057445	90,992.88
19 banks, circulation $1,584,000, under section 4, no profit or loss.	

Of course these banks could not take circulation in excess of the amount of their capital.

In each case, when the total circulation, including the notes issued under section 4 and section 5, exceeds the capital, the circulation they might receive under section 5 on their "reserve held" would not avail them beyond the limit of their capital. In other words, each bank would be obliged to increase its capital to double its "reserve held," in order to receive the full amount of the circulation to which its "reserve held" entitled it.

If each bank held in the Treasury its United States bonds to secure its circulation, one third in each of the three kinds of bonds named, the percentage of profit on its circulation would be .005267, as figured on page 8 of the report of the Comptroller of the Currency. On the total circulation of $737,450, at .005267 profit, these banks would make a total of $3,384.15. On the $1,584,000 circulation they could take, by increasing their capital in the case of some of them, at the profit of .057445 per cent, the profit would be $90,982.88, a difference of $87,598.73 in favor of the bill reported. This is .00838 per cent on $10,457,000, the whole sum loaned by the nineteen banks. These banks, if they were doing business under the bill (H. R. 10615), could, therefore, make all their loans to the people at a rate of interest nearly 1 per cent, or at a rate one-seventh lower than they are now doing under the existing national banking law, and make as much money as now.

It is no answer to say that because this sum would go first to the banks that the people would get no lower rates of interest, for the reason that new banks would be immediately constituted to compete for the business of the locality with banks already established, thus reducing interest.

One great advantage of this bill is that it will encourage this establishing of new banks to compete for business. Again, where $50,000 is in the possession of fifty different men to loan, those borrowing it will average to pay from 1 to 3 per cent more in interest on it than where each of the fifty men has his $1,000 aggregated in the capital of a bank of $50,000 capital.

Again, when a bank is organized in a neighborhood the people are always surprised by seeing thousands of dollars immediately deposited in it by persons in the vicinity who were not supposed to have any ready money; and their neighbors are thus enabled to borrow this money, to the very great advantage of all concerned. The plain people are fully justified in their opposition to the present banking system and in their demands for one of greater economy; one which will utilize the gold and silver coin and the capital of the country so as to give them cheaper rates of interest than they are now paying on the money they borrow.

In the light of the facts herein presented, I invite the members of Congress and all persons who are at all familiar with commercial customs to the following facts and questions and ask them to consider their significance:

(1) Only "visible" coin can be regarded in financial estimates. That carried in the pockets of the people is a dead deposit, varying in amount but little from year to year.

(2) The visible coin of commerce last year was as follows:

England:	
Gold coin	$125,000,000
Germany:	
Gold coin	$206,000,000
Silver coin	56,000,000
	262,000,000
France:	
Gold coin	264,000,000
Silver coin	251,000,000
	515,000,000
United States:	
Gold coin	337,000,000
Silver coin	468,000,000
	805,000,000

Is it, or is it not, a fact that the law of every one of these countries, excepting the United States, compels a use of this coin by the banks of the countries?

(3) How is it that England maintains a sound banking system and a sound financial system, with more than double the commerce of this country, on less than three-eighths of the visible gold coin we have, and on only 15½ per cent of the total visible coin we have?

The same with Germany and France?

(4) Is it, or is it not, because the banking systems of these countries inexorably demand the use of coin by their banks putting upon the bank the risk and cost of holding the coin, while in this country the people are taxed the cost of the Government holding it?

(5) The national-bank reserves are $408,000,000, their circulating notes $143,400,000. By the estimates of the Comptroller, on page 8, the average profit on this national-bank circulation is .005267, showing the profit to banks on their present circulation to be only $755,287.80. The circulation allowed these banks under section 5 of the bill is as much as their lawful reserve, and the profit being .057445, they would make $23,437,560 under the bill. The advantage seems to be $22,682,272 saving to the people in favor of the bill reported.

Even if this $408,000,000 coin was put to its legitimate use, would the people be (or are they not) still losing an additional $20,000,000 on the other $400,000,000 of visible coin, none of which is earning an income, as does visible coin in Europe? If not, is any loss whatever suffered in our economic methods in coining money and in its use after being coined?

(6) Would it, or would it not, be a hardship on these banks, with $805,000,000 of visible coin in the country that can be had for the asking, in exchange for paper money, to require by law that these banks keep $204,000,000 of this reserve in gold coin and $204,000,000 in silver coin, every dollar of which would be earning the banks as much as any other part of their assets, while now it earns nothing to anyone?

(7) Does not every economic and moral consideration involved urge the enacting into law of this bill, H. R. 10615?

J. H. Walker.